June 2004

Idaho National Engineering and Environmental Laboratory Employee Retirement Plan

Actuarial Valuation Report as of October 1, 2003 for the Plan Year and Taxable Year Ending September 30, 2004

MERCER
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Contents

Contents *(continued)*

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Highlights

Mercer Human Resource Consulting has prepared this report for the Idaho National Engineering and Environmental Laboratory to:

- Present the results of a valuation of the Idaho National Engineering and Environmental Laboratory Employee Retirement Plan as of October 1, 2003

- Review experience under the plan for the year ended September 30, 2003

- Provide the plan sponsor with the acceptable range of contributions under the plan for the year ending September 30, 2004

- Provide the plan's accountants with information concerning the funded status of the plan.

Contributions

The following table summarizes important contribution information.

	Plan Year Ending	
Contributions	**September 30, 2004**	**September 30, 2003**
Minimum required	$ 20,423,708	$ 12,678,259
Maximum deductible	75,286,972	52,906,652

The minimum required contribution is determined as of the end of the plan year. To the extent that contributions are made before the end of the plan year, the minimum contribution is reduced for interest credited on these contributions. The schedule of required quarterly payments shown on the next page reflects this interest adjustment.

If contributions with interest are less than the minimum required or actual contributions are greater than the maximum deductible, any deficiency or excess could be subject to a nondeductible excise tax. However, since deductibility can be affected by factors not considered here, we recommend the company review the tax consequence of any contribution to be made. For example, this report does not take into account Code Section 404(a)(7), which limits an employer's deduction when the employer sponsors both defined benefit and defined contribution plans. Furthermore, state law may differ from Federal Tax Law and the amounts determined in this report may not be deductible in all jurisdictions

To the extent the above contributions are made not later than the date the company's 2003 tax return is due (including extensions granted), they may be claimed as a tax deduction for the 2003 tax year.

Highlights *(continued)*

The schedule of minimum required contributions and contributions already made for the 2003 plan year, without regard to the credit balance, is:

Date		Amount
October 30, 2003*	$	2,000,000
November 25, 2003*		2,000,000
December 23, 2003*		1,433,962
January 26, 2004*		2,264,150
February 27, 2004*		1,811,320
March 29, 2004*		2,490,568
July 15, 2004		4,771,706
October 15, 2004		5,710,737
June 15, 2005		4,176,194
Total	**$**	**26,658,637**

** These contributions have already been made to the plan.*

Please note that some of these payment requirements can be satisfied by using the credit balance. If the credit balance is used, the July 15, 2004 contribution requirement is $0. If no further payments are made before October 15, 2004, the minimum due on October 15, 2004 is $3,794,203. The final contribution due June 15, 2005 would be $3,954,708. This would eliminate the entire credit balance.

In April 2004, the Pension Funding Equity Act of 2004 was signed into law. The Act replaces the 30-year Treasury rate used to compute current liability with a rate based on long-term corporate bonds for the 2004 and 2005 plan years. The Act includes a lookback rule to re-determine the 2003 current liability using the corporate bond rate for purposes of determining the exemption from quarterly contributions for the 2004 plan year. If the re-determined current liability funded rate is greater than 100%, the Plan is exempt from quarterly contributions for 2004.

INEEL’s current liability funded ratio for 2003, based on the corporate bond rate, is more than 100%, therefore, quarterly contributions are not required for the 2004 plan year.

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described after the summary.

	Actuarial Valuation as of	
	October 1, 2003	**October 1, 2002**
Funding Valuation		
Actuarial accrued liability	$ 730,051,393	$ 676,122,260
Funded ratio	94.36%	95.82%
Actuarial asset value	688,908,890	647,862,278
Unfunded actuarial accrued liability	41,142,503	28,259,982
Normal cost	15,358,973	13,771,271
Percentage of compensation	4.43%	4.09%
Range of contributions (payable at year end)		
▪ Minimum required	20,423,708	12,678,259
Percentage of compensation	5.89%	3.77%
▪ Maximum deductible	75,286,972	52,906,652
Percentage of compensation	21.73%	15.73%
Current liability measures		
▪ OBRA ’87 current liability	765,202,637	710,198,510
Funded ratio	90.03%	91.22%
▪ Gateway current liability	684,360,999	606,527,927
Funded ratio	100.66%	106.81%
▪ RPA ’94 current liability	741,412,048	686,647,846
Funded ratio	92.92%	94.35%
Funded Status (FAS 35)		
Market value of assets	$ 603,668,403	$ 539,885,232
Actuarial present value of accumulated plan benefits	583,401,197	541,362,161
Funded ratio	103.47%	99.73%
Actuarial present value of vested accumulated plan benefits	546,968,073	511,905,143
Funded ratio	110.37%	105.47%

Principal Valuation Results *(continued)*

	Actuarial Valuation as of	
	October 1, 2003	**October 1, 2002**
Participant Data		
Number of participants in valuation		
Active participants	5,401	5,529
Participants with deferred benefits	1,513	1,371
Participants receiving benefits	3,153	3,102
Total	**10,067**	**10,002**
Active Participant Statistics		
Total compensation	$ 346,531,429	$ 336,371,673
Average compensation	64,161	60,838
Average age	47.3	46.7
Average years of service	13.3	12.7

Effects of Changes

Changes in Plan Provisions

Section 5.2.5 of the plan was amended to clarify early retirement subsidies, based on certain age and service requirements, to any participant who is employed on the security force and is covered under the collective bargaining agreement among Bechtel BWXT Idaho, LLC, the Security, Police and Fire Professionals of America (International Union) and the Security, Police and Fire Professionals of America (Local 3).

Section 5.2.6 of the plan was added to provide early retirement subsidies, based on certain age and service requirements, to any participant who is classified as an exempt employee who is employed on the Company's security force, and is not covered under the terms of Section 5.2.5.

Effective January 1, 2003, employee contributions are no longer permitted to be made to the Plan.

Effective May 1, 2003, no charge will be imposed with respect to Qualified Preretirement Survivor Annuity coverage.

Changes in Actuarial Assumptions

The assumed retirement age for participants on long term disability was changed to age 65.

Changes in Actuarial Assumptions – Current Liability

The Gateway interest rate was changed from 6.72%, as of October 1, 2002, to 6.35% as of October 1, 2003. This change was made in order to reflect the new October 1, 2003, corridor for current liability rates.

Changes in Methods

There have been no changes in methods since the last valuation of the Plan.

Effects of Changes *(continued)*

The effect of changes in assumptions and provisions is described below.

	Plan Change	Assumption Change	Total
Effect on Principal Values			
Normal cost	$ 1,123,935	$ 165,910	$ 1,289,845
Unfunded actuarial accrued liability	$ 11,018,372	$ 150,964	$ 11,169,336
Actuarial present value of vested accumulated plan benefits	$ 5,673,369	$ (442,943)	$ 5,230,426
Actuarial present value of all accumulated plan benefits	$ 8,860,816	$ 199,307	$ 9,060,123
Effect on Contribution Alternatives			
Minimum required	$ 2,192,584	$ 201,681	$ 2,394,265
Maximum deductible	$ 15,605,210	$ 540,370	$ 16,145,580

Certification

We have prepared an actuarial valuation of the Idaho National Engineering and Environmental Laboratory Employee Retirement Plan as of October 1, 2003 for the plan year ending September 30, 2004 and the tax year ending September 30, 2004. The results of the valuation are set forth in this report, which reflects the provisions of the plan as amended and effective through October 1, 2003.

The valuation is based on employee and financial data provided by the company, and summarized in this report.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. Funding calculations reflect the provisions of current federal statutes and regulations issued thereunder. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the plan. This report fully and fairly discloses the actuarial position of the plan on an ongoing basis.

There have been changes in plan provisions and actuarial assumptions since the last valuation of the plan. A description of those changes and their financial effect is incorporated in this report.

This report has been prepared exclusively for Idaho National Engineering and Environmental Laboratory to determine an acceptable range of contributions under Internal Revenue Code Sections 404 and 412 for the Idaho National Engineering and Environmental Laboratory Employee Retirement Plan and to provide the plan's accountants with the funded status of the plan. Mercer Human Resource Consulting is not responsible for consequences arising from the use of this report for any other purposes.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Donald E. Fuerst

6/9/2004

Donald E. Fuerst, FSA, EA
Enrolled Actuary No. 02-92
Date

Lee D. Gold

6/9/2004

Lee D. Gold, ASA, EA
Enrolled Actuary No. 02-5519
Date

I have reviewed and found acceptable the actuarial assumptions, methods and procedures used in this valuation.

Deborah K. Distler

6/9/2004

Deborah K. Distler, FSA, EA
Enrolled Actuary No. 02-3745
Date

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Supplemental Information

The remainder of the report includes information supporting the results presented in the previous sections.

- **Development of costs** shows the liabilities for plan benefits and the derivation of the various contribution amounts.
- **Plan accounting under FAS 35** shows the information required for the plan's accounting and disclosure.
- **Plan assets** presents information about the plan's assets as reported by the plan administrator or trustee. The plan assets represent the portion of total plan liabilities that has been funded.
- **Participant data** presents and describes the participant data used in the valuation.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.
- **Glossary** defines the terms used in this report.

Development of Costs

Unfunded Actuarial Accrued Liability

The actuarial accrued liability is the present value of projected plan benefits allocated to past service by the actuarial funding method being used.

	October 1, 2003	October 1, 2002
1. Actuarial accrued liability		
a. Active participants		
Retirement benefits	$ 360,067,950	$ 320,251,191
Withdrawal benefits	12,889,699	13,768,979
Disability benefits	2,940,336	3,076,551
Death benefits	8,940,656	476,486
Total	384,838,641	337,573,207
b. Participants with deferred benefits	36,216,073	28,920,135
c. Participants receiving benefits	308,996,679	309,628,918
d. Actuarial accrued liability *(a. + b. + c.)*	730,051,393	676,122,260
2. Actuarial asset value	688,908,890	647,862,278
3. Funded ratio *(2. ÷ 1.d.)*	94.36%	95.82%
4. Unfunded actuarial accrued liability *(1.d. – 2., not less than $0)*	**$ 41,142,503**	**$ 28,259,982**

Development of Costs

Actuarial Gain/(Loss)

The actuarial gain/(loss) comprises both the liability gain/(loss) and the actuarial asset gain/(loss). Each represents the difference between the expected and actual values as of October 1, 2003.

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at October 1, 2002	$	676,122,260
b. Normal cost at October 1, 2002		13,771,271
c. Interest on a. + b. to end of year		55,191,482
d. Benefit payments including expected expenses of $770,000 less expected employee contributions of $696,276 for plan year ending September 30, 2003, with interest to end of year		36,720,587
e. Expected actuarial accrued liability before change *(a. + b. + c. – d.)*		708,364,426
f. Change in actuarial accrued liability at October 1, 2003 due to assumptions and provisions		11,169,336
g. Expected actuarial accrued liability at October 1, 2003 *(e. + f.)*		719,533,762
2. Actuarial accrued liability at October 1, 2003		730,051,393
3. Liability gain/(loss) *(1.g. – 2.)*		(10,517,631)
4. Expected actuarial asset value		
a. Actuarial asset value at October 1, 2002		647,862,278
b. Interest on a. to end of year		51,828,982
c. Contributions made for plan year ending September 30, 2003		18,854,183
d. Interest on c. to end of year		294,289
e. Benefit payments including expected expenses of $770,000 less expected employee contributions of $696,276 for plan year ending September 30, 2003, with interest to end of year		36,720,587
f. Expected actuarial asset value at October 1, 2003 *(a. + b. + c. + d. – e.)*		682,119,145
5. Actuarial asset value as of October 1, 2003		688,908,890
6. Actuarial asset gain/(loss) *(5. – 4.f.)*		6,789,745
7. Actuarial gain/(loss) *(3. + 6.)*		(3,727,886)
8. Adjustment due to full funding and/or negative unfunded		0
9. Actuarial gain/(loss) to amortize *(7. + 8.)*	**$**	**(3,727,886)**

Development of Costs

Actuarial Gain/(Loss) *(continued)*

Sources of Actuarial Gain/(Loss)		
1. Economic assumptions		
a. Investment earnings	$	7,512,053
b. Compensation increases		(697,606)
c. Social Security		(40,066)
d. Administrative expenses		(517,096)
e. Employee contributions		(205,212)
f. Contributions for plan year 2001 but paid after September 30, 2002		0
g. Total economic experience *(a. + b. + c. + d. + e. + f.)*		6,052,073
2. Demographic assumptions		
a. Retirement		(1,145,614)
b. Termination		(262,825)
c. Mortality		475,835
d. Disability		(350,098)
e. Total demographic experience *(a. + b. + c. + d.)*		(1,282,702)
3. Miscellaneous		
a. New employees		(2,673,524)
b. Change in source of pay data		(6,788,841)
c. Other data changes		3,212,125
d. Other		(2,247,017)
e. Total miscellaneous experience *(a. + b. + c. + d.)*		(8,497,257)
4. Actuarial gain/(loss) *(1.g. + 2.e. + 3.e.)*	**$**	**(3,727,886)**

Development of Costs

Normal Cost

The components of normal cost under the plan's funding method are:

Component	October 1, 2003	October 1, 2002
Retirement benefits	$ 12,095,581	$ 11,311,363
Withdrawal benefits	1,799,757	1,883,857
Disability benefits	466,106	453,743
Death benefits	353,529	48,584
Expenses	644,000	770,000
Expected Employee Contributions	0	696,276
Total normal cost	**$ 15,358,973**	**$ 13,771,271**
Total compensation	346,531,429	336,371,673
Normal cost as a percentage of compensation	4.43%	4.09%

Development of Costs

Current Liability and Schedule B Disclosure

The current liability is a present value of accrued benefits determined in accordance with IRC Section 412(l). Under the code, the plan must compute up to three current liability measures – OBRA ’87, Gateway and RPA ’94. These values are necessary to complete the Schedule B.

Current Liabilities as of October 1, 2003	Number	OBRA ’87 Current Liability	Gateway Current Liability	RPA ’94 Current Liability
Vested benefits				
▪ Active participants	4,201	$ 295,214,335	$ 255,705,147	$ 285,733,496
▪ Participants with deferred benefits	1,513	55,056,915	46,892,499	52,951,981
▪ Participants receiving benefits	3,153	366,541,634	338,059,070	355,262,800
Total vested benefits	8,867	716,812,884	640,656,716	693,948,277
Nonvested benefits[1]	1,200	48,389,753	43,704,283	47,463,771
Total	**10,067**	**$ 765,202,637**	**$ 684,360,999**	**$ 741,412,048**
Actuarial asset value		$ 688,908,890	$ 688,908,890	$ 688,908,890
Funded current liability percentage		90.03%	100.66%	92.92%
Value of benefits accruing during plan year including expected expenses of $644,000		$ 34,305,849	N/A	$ 33,260,989
Expected release from current liability during plan year including expected expenses of $644,000[2]		$ 37,373,591	N/A	$ 37,332,784
Assumed rate of interest		5.70%	6.35%	5.70%
Mortality table		GAR 1994	GAM 1983	GAM 1983

Expected benefit payments differ from ERISA expected benefit payments of $36,729,591. These amounts are based on assumptions required for current liability calculations.

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[1] *Liabilities shown on this line include liabilities for nonvested participants, as well as the value of nonvested benefits earned by vested participants.*

[2] *Expected disbursements based on valuation assumptions are $37,373,591 including expected expenses of $644,000.*

Development of Costs

Contribution Summary

Section 412 of the Internal Revenue Code sets forth minimum funding standards, while Section 404(a)(1) describes the limitations on tax-deductible contributions to a pension trust. Since deductibility can be affected by factors not considered here, we recommend the company review the tax consequence of any contribution to be made. For example, this report does not take into account Code Section 404(a)(7), which limits an employer's deduction when the employer sponsors both defined benefit and defined contribution plans. Furthermore, state law may differ from Federal Tax Law and the amounts determined in this report may not be deductible in all jurisdictions.

On the basis of the valuation as of October 1, 2003, as well as final and proposed IRS regulations (where appropriate), this section shows a determination of the minimum contribution required for the plan year ending September 30, 2004 and the maximum contribution deductible for the tax year ending September 30, 2004. The maximum deductible contribution was computed using the same assumptions as were used for the minimum contribution. A summary of results follows:

	Plan Year Ending	
	September 30, 2004	**September 30, 2003**
Minimum required (end of year)	$ 20,423,708	$ 12,678,259
Maximum deductible		
▪ Regular	22,719,137	19,084,543
▪ Alternate	75,286,972	52,906,652
▪ Greater of regular and alternate	75,286,972	52,906,652
Total compensation	346,531,429	336,371,673
Minimum required contribution as a percentage of compensation	5.89%	3.77%
Maximum deductible contribution as a percentage of compensation	21.73%	15.73%

The minimum required contribution is determined as of the end of the plan year. To the extent that contributions are made before the end of the plan year, the minimum contribution is reduced for interest credited on these contributions. The schedule of required quarterly payments shown in the Quarterly Contributions section reflects this interest adjustment.

The alternate maximum contribution shown above is the amount required to fully fund the plan's current liability using an interest rate of 5.70%. IRS Notice 90-11 permits the use of any current liability interest rate within the required interest rate range. The lowest permitted current liability interest rate will produce the largest alternate maximum.

Section 416 of the Internal Revenue Code specifies additional requirements for plan qualification, which could affect benefit accruals and funding if the present value of benefits for key employees equals or exceeds 60% of the present value of benefits for all employees. Such a plan is said to be top-heavy. We performed no special test regarding the portion of accumulated benefits attributable to key employees. However, we expect that the Idaho National Engineering and Environmental Laboratory Employee Retirement Plan is not top-heavy due to the large number of rank-and-file participants; therefore, the above contributions do not reflect any liability for top-heavy benefit accruals.

Development of Costs

Minimum Required Contribution and Funding Standard Account

The funding standard account is used to determine whether the plan meets the minimum funding requirements under ERISA. The funding standard account for the plan year ending September 30, 2003 and the determination of the minimum required contribution for the plan year ending September 30, 2004 are:

	Plan Year Ending	
Funding Standard Account	**September 30, 2004**	**September 30, 2003**
Charges		
1. Prior year funding deficiency	$ 0	$ 0
2. Normal cost for plan year	15,358,973	13,771,271
3. Amortization charges	10,022,081	8,230,502
4. Interest on 1., 2. and 3.	2,030,484	1,760,142
5. Additional funding charge	0	0
6. Additional interest charge due to late quarterly contributions	0	0
7. Total charges	**$ 27,411,538**	**$ 23,761,915**
Credits		
8. Prior year credit balance	$ 6,470,213	$ 10,262,644
9. Employer contributions	N/A	18,854,183
10. Amortization credits	0	0
11. Interest on 8., 9. and 10.	517,617	1,115,301
12. Miscellaneous credits		
a. Full funding credit before current liability	0	0
b. Additional credit due to current liability	0	0
c. Waived funding deficiency	0	0
13. Total credits	**$ 6,987,830**	**$ 30,232,128**
14. Credit balance (funding deficiency) *(13. – 7.)*	**N/A**	**$ 6,470,213**
15. Minimum required contribution *(7. – 13., not less than $0)*	**$ 20,423,708**	**N/A**

Development of Costs

Quarterly Contributions

The quarterly contribution requirement for the current year is based on the lesser of:

- 90% of the minimum required contribution for the current plan year (as of the beginning of the year)
- 100% of the minimum required contribution for the prior plan year (as of the end of the prior year).

These contribution requirements are determined before any reduction for the funding standard account credit balance. A credit balance may be used to offset the quarterly payments but only if the credit balance is based on actual contributions received by the trust by the quarterly contribution due date.

An exemption is provided if the plan's funded current liability percentage determined using the RPA '94 current liability and the actuarial asset value unreduced by any credit balance was at least 100% for the prior year. Since the funded current liability percent for the prior plan year was 94.35%, quarterly contributions are required for the current plan year.

Determination of Quarterly Contributions for 2003

1. 90% of current year minimum required contribution, without interest and before reduction for funding standard account credit balance	$	22,842,949
2. 100% of prior year minimum required contribution, with interest to end of prior year and before reduction for funding standard account credit balance		23,761,915
3. Lesser of 1. or 2.		22,842,949
4. Quarterly contribution *(25% of 3.)*	**$**	**5,710,737**

The quarterly contributions listed below are minimum requirements before application of the credit balance. Additional contributions may be required if the minimum contributions are not made. Furthermore, plan participants must be notified if quarterly contributions are more than 60 days in arrears. Contributions made on different dates or in different amounts can cause adjustments to be required on later contributions for the plan year.

Date		Amount
October 30, 2003*	$	2,000,000
November 25, 2003*		2,000,000
December 23, 2003*		1,433,962
January 26, 2004*		2,264,150
February 27, 2004*		1,811,320
March 29, 2004*		2,490,568
July 15, 2004		4,771,706
October 15, 2004		5,710,737
June 15, 2005		4,176,194

** These contributions have already been made to the plan.*

Development of Costs

Quarterly Contributions *(continued)*

Please note that some of these payment requirements can be satisfied by using the credit balance. If the credit balance is used, the July 15, 2004 contribution requirement is $0. If no further payments are made before October 15, 2004, the minimum payment due on October 15, 2004 is $3,794,203. The final contribution due June 15, 2005 would be $3,954,708. This would eliminate the entire credit balance.

Because the plan's funded current liability percentage for 2003 (based on the Pension Funding Equity Act of 2004 lookback relief rules) is more than 100%, quarterly contributions are not required for the 2004 plan year.

Development of Costs

Additional Funding Charge Gateway Test

Certain underfunded plans are required to make additional contributions to reduce that underfunding. These rules do not apply to plans that satisfy one of the following:

- The gateway funded current liability percentage is at least 90%
- The gateway funded current liability percentage is at least 80%, and the gateway funded current liability percentage was at least 90% for any two consecutive of the three prior plan years.

The following table summarizes the recent gateway funded current liability percentages:

Plan Year Beginning	Gateway Funded Current Liability Percentage
October 1, 2003	100.7%
October 1, 2002	106.8%
October 1, 2001	108.3%
October 1, 2000	118.6%

Because the 2003 percentage is greater than 90.0%, the plan is not subject to additional funding requirements for the 2003 plan year.

Development of Costs

Full Funding Limit and Full Funding Credit

The Internal Revenue Code provides for a "full funding limit" to prevent excessive tax-deductible contributions to pension plans. In general, the limit prevents sponsors from taking deductions for contributions greater than the excess of the plan's accrued liabilities over the plan's assets. Regulations require that three different liability amounts and three different asset amounts be developed in order to compute limits used in calculating the minimum required and maximum tax-deductible contributions.

Projected Liabilities	ERISA Actuarial Accrued Liability	OBRA '87 Current Liability	RPA '94 Current Liability
1. Interest rate	8.00%	5.70%	5.70%
2. Accrued liability at October 1, 2003	$ 730,051,393	$ 765,202,637	$ 741,412,048
3. Normal cost for 2003 including expected expenses of $644,000	15,358,973	34,305,849	33,260,989
4. Expected benefit payments including expected expenses of $644,000	37,373,591	37,373,591	37,332,784
5. Net interest on 2., 3. and 4.	58,112,125	44,488,483	43,074,025
6. Expected liability at September 30, 2004 *(2. + 3. – 4. + 5.)*	**$ 766,148,900**	**$ 806,623,378**	**$ 780,414,278**

Projected Assets	Maximum Contribution Limit ERISA/ OBRA '87	Minimum Contribution Limit ERISA/ OBRA '87	Unfunded Current Liability/RPA '94 Contribution Limit
1. Actuarial asset value at October 1, 2003	$ 688,908,890	$ 688,908,890	$ 688,908,890
2. Market value at October 1, 2003	603,668,403	603,668,403	N/A
3. Credit balance	N/A	6,470,213	N/A
4. Smaller of 1. or 2., less 3.	603,668,403	597,198,190	688,908,890
5. Expected benefit payments including expected expenses of $644,000	37,373,591	37,373,591	37,373,591
6. Net interest on 4. and 5.	46,772,768	46,255,151	53,592,007
7. Expected assets at September 30, 2004 *(4. – 5. + 6.)*	**$ 613,067,580**	**$ 606,079,750**	**$ 705,127,306**

Benefit payments for current liability calculations based on assumptions required.

Development of Costs

Full Funding Limit and Full Funding Credit *(continued)*

The following calculations are required to determine the two full funding credits that may reduce the minimum required contribution.

Full Funding Credit	**Minimum ERISA**	**Minimum OBRA ’87**	**Minimum RPA ’94**
1. Expected liability	$ 766,148,900	$ 806,623,378	$ 780,414,278
2. Liability factor	100.00%	170.00%	90.00%
3. Funding limit liability *(1. × 2.)*	766,148,900	1,371,259,743	702,372,850
4. Expected assets	606,079,750	606,079,750	705,127,306
5. Preliminary full funding limit *(3. – 4., not less than $0)*	**160,069,150**	**765,179,993**	**$ 0**
6. Full funding limit *(5., not less than 5. from minimum RPA ’94)*	**160,069,150**	**765,179,993**	**N/A**
7. Minimum contribution *(from Minimum Required Contribution and Funding Standard Account section, but regardless of credit balance; for OBRA ’87 column, ERISA full funding limit, if less)*	27,411,538	27,411,538	N/A
8. Full funding credit *(7. – 6., not less than $0)*	**$ 0**	**$ 0**	**N/A**

Development of Costs

Full Funding Limit and Full Funding Credit *(continued)*

The following calculations are required to determine the three full funding limits that may reduce the maximum deductible contribution.

Full Funding Limit	**Maximum ERISA**	**Maximum OBRA '87**	**Maximum RPA '94**
1. Expected liability	$ 766,148,900	$ 806,623,378	$ 780,414,278
2. Liability factor	100.00%	170.00%	90.00%
3. Funding limit liability *(1. × 2.)*	766,148,900	1,371,259,743	702,372,850
4. Adjusted expected assets			
a. Expected assets	613,067,580	613,067,580	705,127,306
b. Contributions included in a. that have not been deducted	0	0	0
c. Contributions not included in a. that have been deducted	0	0	0
d. *a. – b. + c.*	613,067,580	613,067,580	705,127,306
5. Preliminary full funding limit *(3. – 4.d., not less than $0)*	**153,081,320**	**758,192,163**	**$ 0**
6. Full funding limit *(5., not less than 5. from maximum RPA '94)*	**$ 153,081,320**	**$ 758,192,163**	**N/A**

Development of Costs

Amortization Schedule for Minimum Funding Standard Account

	Amortization Period			Balances		
Charge	Date Created	Initial Years	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Actuarial Loss	10/01/2002	5	4	$ 33,106,223	$ 27,463,053	$ 7,677,470
Plan Change	10/01/2002	30	29	3,487,068	3,456,287	286,803
Assumption Change	10/01/2002	10	9	1,929,335	1,796,154	266,229
Actuarial Loss	10/01/2003	5	5	3,727,886	3,727,886	864,512
Plan Change	10/01/2003	30	30	11,018,372	11,018,372	906,235
Assumption Change	10/01/2003	10	10	150,964	150,964	20,832
Total					**$ 47,612,716**	**$ 10,022,081**

	Amortization Period			Balances		
Credit	Date Created	Initial Years	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Total					**$ 0**	**$ 0**

Development of Costs

Funding Standard Account Reconciliation

Reconciliation Account		**October 1, 2003**
1. Accumulated additional funding charges		
a. Accumulated amount at beginning of prior year	$	0
b. Interest on 1.a. at the valuation interest rate		0
c. Additional funding charge for prior year		0
d. Total		0
2. Accumulated interest charges on late quarterly payments		
a. Accumulated amount at beginning of prior year		0
b. Interest on 2.a. at the valuation interest rate		0
c. Late interest charges for prior year		0
d. Total		0
3. Accumulated adjustment for waived funding deficiencies		
a. Accumulated amount at beginning of prior year		0
b. Interest on 3.a. at the valuation interest rate		0
c. Prior year amount		0
d. Total		0
4. Reconciliation account balance at end of prior plan year *(1.d. + 2.d. + 3.d.)*	**$**	**0**

Equation of Balance		
1. Net amount of amortization bases outstanding on October 1, 2003	$	47,612,716
2. Credit balance in funding standard account on October 1, 2003		6,470,213
3. Reconciliation account balance on October 1, 2003		0
4. Unfunded actuarial accrued liability on October 1, 2003 *(1. – 2. – 3., not less than $0)*	**$**	**41,142,503**

Development of Costs

Maximum Deductible Contribution

The maximum deductible contribution is the sum of normal cost, plus amortization of various bases over 10 years. Each base represents a change in the actuarial accrued liability established when the plan was initially adopted, subsequently amended, actuarial gains and losses were recognized, or when actuarial assumptions were changed. The maximum is limited to the full funding limitation for the year, but not less than the level of the unfunded current liability.

1. Normal cost as of October 1, 2003	$	15,358,973
2. Limit adjustments as of October 1, 2003		5,677,265
3. Interest to September 30, 2004		1,682,899
4. *1. + 2. + 3.*		22,719,137
5. Minimum required contribution, net of interest credited on contributions made during plan year		20,423,708
6. Larger of 4. or 5.		22,719,137
7. Full funding limitation		
a. ERISA		153,081,320
b. OBRA '87		758,192,163
c. Lesser of a. or b.		153,081,320
8. Regular IRC Section 404 maximum *(lesser of 6. or 7.c.)*		22,719,137
9. Alternate IRC Section 404 maximum		
a. Projected current liability		780,414,278
b. Adjusted expected assets[3]		705,127,306
c. Unfunded current liability as of September 30, 2004 *(a. – b., not less than $0)*		75,286,972
10. Maximum deductible contribution for taxable year ending September 30, 2004 *(greater of 8. or 9.c.)*	**$**	**75,286,972**

Any contribution in excess of this amount may be subject to a nondeductible excise tax.

[3] *From maximum RPA '94 column in maximum deductible contribution table (Full Funding Limit and Full Funding Credit).*

Development of Costs

Amortization Schedule for Maximum Contribution

Increase	Date Created	Balances Initial	Balances Outstanding	10-Year Amortization	Limit Adjustment Beginning of Year
Unfunded Accrued Liability	10/01/2003	$ 41,142,503	$ 41,142,503	$ 5,677,265	$ 5,677,265
Total			**$ 41,142,503**	**$ 5,677,265**	**$ 5,677,265**

Decrease	Date Created	Balances Initial	Balances Outstanding	10-Year Amortization	Limit Adjustment Beginning of Year
Total			**$ 0**	**$ 0**	**$ 0**
Net amount			**$ 41,142,503**	**$ 5,677,265**	**$ 5,677,265**

Reconciliation of Outstanding Balances

1. Net outstanding balance	$ 41,142,503
2. Contributions paid, but not yet deducted	0
3. Contributions deducted, but not yet credited to the funding standard account	0
4. Unfunded actuarial accrued liability *(1. – 2. + 3.)*	**$** 41,142,503

Plan Accounting Under FAS 35

Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of vested and nonvested accumulated plan benefits is computed on an ongoing plan basis in order to provide required information under Financial Accounting Standards Board Statement No. 35. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date; the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions regarding future compensation and Social Security increases and accrual of future benefit service are not necessary for this purpose.

The calculations presented in this section are solely for purposes of fulfilling plan accounting and reporting requirements and are consistent with our understanding of FAS No. 35. These calculations may differ significantly from calculations for other purposes, such as determining contributions for an ongoing plan, determining the cost of terminating the plan and determining the employer's pension expense under FAS 87.

Accumulated Plan Benefits	October 1, 2003	October 1, 2002
Vested benefits		
▪ Active participants	$ 201,755,321	$ 173,356,090
▪ Participants with deferred benefits	36,216,073	28,920,135
▪ Participants receiving benefits	308,996,679	309,628,918
Total vested benefits	546,968,073	511,905,143
Nonvested benefits	36,433,124	29,457,018
Total accumulated plan benefits	**$ 583,401,197**	**$ 541,362,161**
Assumed rate of interest	8.00%	8.00%
Market value of assets available for benefits	$ 603,668,403	$ 539,885,232
Vested benefits funded ratio	110.37%	105.47%
Accumulated benefits funded ratio	103.47%	99.73%

Plan Accounting Under FAS 35

Statement of Changes in Accumulated Plan Benefits

A statement of changes in the actuarial present value of accumulated plan benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Actuarial present value of accumulated plan benefits as of October 1, 2002	**$**	**541,362,161**
Increase/(decrease) during year attributable to:		
▪ Benefits accumulated and (gains)/losses		26,310,905
▪ Increase for interest due to decrease in discount period		41,899,705
▪ Benefits paid		(35,231,697)
▪ Plan amendment		8,860,816
▪ Change in actuarial assumptions		199,307
Net increase/(decrease)		42,039,036
Actuarial present value of accumulated plan benefits as of October 1, 2003	**$**	**583,401,197**

The benefits valued include all benefits – retirement, preretirement death and vested termination – payable from the plan for employee service before the valuation date. Benefits are assumed to accrue (accumulate) in accordance with the plan provisions.

The actuarial present value of accumulated plan benefits shown in this report is calculated using the same actuarial assumptions used for funding purposes. The values shown may not correspond to those determined for reporting and disclosure purposes under the requirements of FAS 87 or to those used for disclosure on the Schedule B.

Plan Assets

Summary of Assets

Asset Category	Market Value as of September 30, 2003	Market Value as of September 30, 2002
1. General Investments		
▪ Common Corporate Stocks	$ 307,373,693	$ 246,262,214
▪ Cash/Cash Equivalents	64,414,206	37,155,704
▪ Government Obligations	98,270,107	99,514,938
▪ Corporate Obligations	61,373,356	60,129,861
▪ Mutual Funds	55,198,713	74,411,182
▪ GIC Contracts	10,689,584	10,253,162
▪ Accrued Income	1,494,961	1,928,242
2. Employer Contributions Receivable	4,853,783	10,229,929
3. Net assets	**$ 603,668,403**	**$ 539,885,232**

Plan Assets

Reconciliation of Assets

Transactions	September 30, 2002 to September 30, 2003	September 30, 2001 to September 30, 2002
Income		
1. Contributions received or receivable		
▪ Employer	$ 18,854,183	$ 11,729,929
▪ Participant	506,265	582,087
2. Investment earnings		
▪ Interest Income	11,316,130	13,741,037
▪ Dividend Income	4,597,690	4,850,382
▪ Appreciation	66,253,544	(71,692,416)
▪ Miscellaneous Income	1,106,668	549,238
3. Other income	0	0
4. Total income	**102,634,480**	**(40,239,743)**
Disbursements		
5. Benefit payments		
▪ To participants or beneficiaries	35,231,697	34,648,189
6. Investment expense	2,370,818	2,664,107
7. Administrative expenses	1,248,794	1,394,384
8. Total disbursements	**38,851,309**	**38,706,680**
9. Net income *(4. – 8.)*	**63,783,171**	**(78,946,423)**
10. Net assets at beginning of year	539,885,232	618,831,655
11. Net assets at end of year *(9. + 10.)*	**$ 603,668,403**	**$ 539,885,232**

Plan Assets

Actuarial Asset Value

Development of Actuarial Value	October 1, 2003
1. Actuarial Value as of October 1, 2002 (before corridor)	$ 675,667,293
2. Market Value as of October 1, 2002	539,885,232
3. Contributions (Employer and Employee)	19,360,448
4. Benefit Payments	35,231,697
5. Non-Investment Administrative Expenses	1,248,794
6. Expected Return at 8% on:	
a) Item 1.	54,053,383
b) Item 3.	314,540
c) Item 4. (one-half year)	1,409,268
d) Item 5. (one-half year)	49,952
e) Total (a. + b. - c. - d.)	$ 52,908,703
7. Expected Actuarial Value as of October 1, 2003 *(1. + 3. - 4. - 5. + 6.e.)*	711,455,953
8. Actual Market Value as of October 1, 2003	603,668,403
9. Actual Return *(8. – 2. – 3. – 4. – 5.)*	80,903,214
10. 2003 Gain/(Loss) *(9. – 6.e.)*	27,994,511
11. Gain/(Loss) Recognized in Current Year	(22,547,063)
12. Actuarial Asset Value as of October 1, 2003 *(7. + 11., not more than 120% of Market Value)*	$ 688,908,890

Schedule of Asset Gains/(Losses)

Year Ending	Expected Return	Actual Return	Difference Gain/(Loss)	Recognized in Current Year	Recognized in Future Years
9/30/1999	$ 40,487,744	$ 92,617,056	$ 52,129,312	$ 10,425,864	$ -
9/30/2000	45,192,219	89,903,395	44,711,176	8,942,235	8,942,236
9/30/2001	50,128,492	(79,690,814)	(129,819,306)	(25,963,861)	(51,927,724)
9/30/2002	52,535,148	(55,215,866)	(107,751,014)	(21,550,203)	(64,650,608)
9/30/2003	52,908,703	80,903,214	27,994,511	5,598,902	22,395,609
Total			$ (112,735,321)	$(22,547,063)	$(85,240,487)

Estimated investment return on actuarial asset value for year ending September 30, 2003, as required on Schedule B	9.10%

Plan Assets

Contributions for Prior Plan Year

	Amount			
Date	Employer	Employee	Interest to End of Plan Year	Total
04/01/2003	$ 0	$ 506,265	$ 20,251	$ 526,516
05/30/2003	9,333,600	0	245,231	9,578,831
07/01/2003	1,166,700	0	22,602	1,189,302
07/29/2003	1,166,700	0	15,601	1,182,301
08/29/2003	1,166,700	0	7,899	1,174,599
09/18/2003	1,166,700	0	2,956	1,169,656
10/08/2003	4,853,783	0	0	4,853,783
Total	**$ 18,854,183**	**$ 506,265**	**$ 314,540**	**$ 19,674,988**

Participant Data

Participant Data Reconciliation

		Inactive Participants			
	Active Participants	Deferred Benefits	Retiree Benefits	Beneficiary Benefits	Total
As of Beginning of the Year	**5,529**	**1,371**	**2,811**	**291**	**10,002**
Age Retirements	(57)	(34)	91	0	0
Disability Retirements	(9)	0	9	0	0
Deaths without Survivor	(1)	(8)	(35)	(7)	(51)
Deaths with Survivor	(6)	(2)	(15)	23	0
Nonvested Terminations	(91)	0	0	0	(95)
Vested Terminations	(210)	210	0	0	0
Rehires	63	(22)	0	0	41
Lump Sum Cash Outs	(20)	(15)	0	0	(35)
New Entrants During the Year	195	0	0	0	195
Data Corrections	8	13	(19)	4	10
Net Change	(128)	142	31	20	65
As of End of Year	**5,401**	**1,513**	**2,842**	**311**	**10,067**

Participant Data

Distribution of Active Participants

Age	Years of Service as of October 1, 2003									
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	**Total**
Under 20										
20 - 24	38 33,135									38 33,135
25 - 29	162 39,933	12								174 40,343
30 - 34	174 50,380	46 51,441	52 48,082							272 50,120
35 - 39	190 54,738	73 62,018	238 56,833	37 50,372						538 56,352
40 - 44	203 62,636	76 65,056	375 64,121	228 60,579	23 66,033					905 63,023
45 - 49	180 66,170	85 72,796	365 67,337	258 64,869	177 70,342	54 61,775	1			1,120 67,187
50 - 54	169 73,030	75 71,638	275 66,425	227 63,541	212 69,146	186 71,980	3			1,147 68,519
55 - 59	120 75,946	52 70,880	203 66,348	135 60,889	149 68,800	142 71,132	15	1		817 68,671
60 - 64	46 93,602	20 72,746	73 61,426	80 63,753	62 68,824	46 66,402	11	12	1	351 70,090
65 - 69	7	1	8	5	3	7				31 72,579
70 - 74	1	1	3			1			1	7
75+		1								1
TOTAL	1,290 60,461	442 66,123	1,592 63,761	970 62,369	626 69,197	436 69,976	30 74,055	13	2	5,401 64,161

In each cell, the top number is the count of active participants for each age/service combination. The lower number is the average compensation of the active participants in that group.

Total Earnings: $346,531,429
Average age: 47.3
Average pensionable service: 14.1
Note: Earnings in this matrix are shown without regard to Code Section 401(a)(17) limits. For cells with less than 20 participants, average compensation is not shown.

Participant Data

Statistics for Active Participants

		Average			
	Number	**Age**	**Service**	**Compensation[4]**	
As of October 1, 2002					
▪ Continuing	5,403	46.8	12.9	$	60,849
▪ New	126	42.2	4.0		60,363
Total	**5,529**	**46.7**	**12.7**	**$**	**60,838**
As of October 1, 2003					
▪ Continuing	5,135	47.6	13.9	$	64,997
▪ New	266	40.1	1.9		48,015
Total	**5,401**	**47.3**	**13.3**	**$**	**64,161**

[4] *Compensation in this exhibit based on earnings without regard to Code Section 401(a)(17) limits.*

Participant Data

Distribution of Inactive Participants

	As of October 1, 2003					
	Participants with Deferred Benefits			Participants Receiving Benefits		
Age	Count		Total Monthly Benefit	Count		Total Monthly Benefit
Under 40	76	$	44,710	3	$	797
40–44	191		113,710			
45–49	303		200,308	2		545
50–54	449		318,617	5		1,451
55–59	307		160,279	259		277,990
60–64	175		95,430	591		683,053
65–69	12		5,126	789		804,965
70–74				612		577,204
75–79				462		347,881
80–84				293		171,881
85–89				118		49,186
90–94				18		8,017
95–99				1		198
Total	**1,513**	**$**	**938,180**	**3,153**	**$**	**2,923,168**

Statistics for Inactive Participants

Inactive Participants as of October 1, 2003	Number		Amount of Monthly Benefit
Participants Receiving Benefits			
▪ Retired	2,833	$	2,787,593
▪ Beneficiaries	311		128,040
▪ Disabled	9		7,536
Total	**3,153**	**$**	**2,923,168**
Participants with Deferred Benefits			
▪ Vested terminated	1,505	$	934,309
▪ Beneficiaries	3		977
▪ Disabled	5		2,894
Total	**1,513**	**$**	**938,180**

Actuarial Basis

Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the individual entry age normal method of funding. The objective under this method is to fund each participant's benefits under the plan as payments which are level as a percentage of compensation, starting at original participation date (or employment date), and continuing until the assumed retirement, termination, disability or death.

At the time the funding method is introduced, there will be a liability which represents the contributions which would have been accumulated if this method of funding had always been used. The difference between this liability and the assets (if any) which are held in the fund is the unfunded liability, which is typically funded over a chosen period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- The **normal cost** for each active participant under the assumed retirement age is determined by applying to compensation the level percentage of compensation which, if contributed each year from date of entry into the plan until the assumed retirement (termination, disability or death) date, is sufficient to provide the full value of the benefits expected to be payable.

- The **present value of future normal costs** is the total of the discounted values of all active participants' normal costs, assuming these to be paid in each case from the valuation date until retirement (termination, disability or death) date.

- The **present value of projected benefits** is calculated as the value of all benefit payments expected to be paid to the plan's current participants, including active and retired members, beneficiaries, and terminated members with vested rights.

- The **accrued liability** is the excess of the present value of projected benefits over the present value of future normal costs.

- The **unfunded liability** is the excess of the accrued liability over the actuarial asset value of the fund, and represents that part of the accrued liability which has not been funded by accumulated past contributions.

- The **past service cost** is the level annual payment over a stipulated number of years which is required to amortize the unfunded liability.

Changes Since Prior Valuation

There have been no changes in the actuarial cost method since the prior valuation.

Actuarial Basis

Asset Valuation Method

The actuarial asset value is based on a five-year moving average of expected and market values determined as follows:

- At the end of each plan year, an expected asset value is calculated as the sum of the previous year's actuarial asset value increased with a year's interest at the plan valuation rate plus net cash flow adjusted for interest (at the same rate) to the end of the plan year;
- The investment gain is taken as the excess of the current market value over the sum of the expected asset value plus the unamortized balances of investment gains for previous plan years ending on or after December 31, 1987;
- The investment gain so determined is spread over five years;
- The preliminary actuarial asset value is the sum of the expected asset value plus the 20% of the investment gains during the current and the preceding four plan years; and
- The (final) actuarial asset value is the preliminary value but in no case to be more than 120% of the market value or less than 80% of the market value.

Changes Since Prior Valuation

There have been no changes in the asset valuation method since the prior valuation.

Actuarial Basis

Valuation Procedures

Financial and census data: We used financial data submitted by the plan sponsor without further audit and participant data as supplied by the plan sponsor. This information would customarily not be verified by a plan's actuary. We have reviewed the information for internal consistency and we have no reason to doubt its substantial accuracy.

- **Benefits not included in liabilities:** All benefits are included in this valuation.

The limitations of Internal Revenue Code Section 415(b) have been incorporated into our calculations.

No actuarial liability is included for participants who terminated nonvested prior to the valuation date.

The liabilities for participants on long-term disability have been included with the liabilities for active participants.

Actuarial Basis

Summary of Actuarial Assumptions

The following economic assumptions were used in valuing the liabilities and benefits under the plan.

Investment return	▪ 8.00% compounded annually for funding purposes ▪ 5.70% compounded annually for OBRA ’87 current liability ▪ 6.35% compounded annually for gateway current liability ▪ 5.70% compounded annually for RPA ’94 current liability ▪ 8.00% compounded annually for the present value of accumulated plan benefits *Interest rates are net of investment expenses.*
Salary increases	See Earnings Progression.
Covered Compensation	Taxable wage base is assumed to increase at 2.5% per year.
Mortality	1994 Group Annuity Mortality Table – Static.
Disability	1985 Unisex Pension Disability Table – Class I.
Withdrawal	See table of sample rates – turnover is related to age before Normal Retirement.
Expenses	The normal cost is increased by the expected level of administrative expenses. 2003 expense load is $644,000.
Retirement	See table of sample rates. Guards and Firefighters with special early subsidies are assumed to retire no later than the date of eligibility to begin receiving an unreduced benefit.
Percentage married	▪ Males ....80% ▪ Females 80%
Age difference	A male is assumed to be 3 years older than his spouse.
Form of payment	All participants are assumed to elect payment in the form of a single life annuity.
Changes since prior valuation	The assumed retirement age for participants on long term disability was changed to age 65. The Gateway interest rate was changed from 6.72% as of October 1, 2002, to 6.35% as of October 1, 2003. This change was made in order to reflect the new October 1, 2003 corridor for current liability rates.

Actuarial Basis

Summary of Actuarial Assumptions *(continued)*

Table of Sample Rates

Attained	Percentage			
	Mortality			
Age	Male	Female	Disability	Withdrawal
25	0.066%	0.029%	0.043%	7.8%
30	0.080	0.035	0.064	7.5
35	0.085	0.048	0.098	7.0
40	0.107	0.071	0.158	6.3
45	0.158	0.097	0.259	5.5
50	0.258	0.143	0.448	4.3
55	0.442	0.229	0.845	0.0
60	0.798	0.444	1.204	0.0
65	1.454	0.864	1.540	0.0

Attained Age	Annual Retirement Rate	Attained Age	Annual Retirement Rate
50-55	5%	63	15%
56	3	64	15
57	3	65	80
58	3	66	80
59	3	67	85
60	20	68	90
61	10	69	95
62	25	70	100

Earnings Progression

Attained Age	Annual Pay Increase	Attained Age	Annual Pay Increase
20	7.08%	45	4.70%
25	6.52	50	4.36
30	5.99	55	4.06
35	5.52	60	3.81
40	5.08		

Actuarial Basis

Summary of Plan Provisions

Following is a summary of the major plan provisions used to determine the plan's financial position. It should not be used in determining plan benefits.

Effective date and plan year	Originally effective July 1, 1971; restated effective October 1, 1999, and amended through September 1, 2003.
Sponsoring employer	Bechtel BWXT Idaho, LLC.
Participating employees	Employees of any DOE-ID contractor which participate in the Plan as allowed by the Idaho National Engineering and Environmental Laboratory Employee Retirement and Investment Plan Committee.
Administration	The Plan is administered by the Plan Sponsor. Effective as of October 1, 1999, the "Plan Sponsor" for purposes of ERISA Section 3(16)(B) shall be Bechtel BWXT Idaho LLC.
Type of plan	Defined Benefit Pension Plan.
Eligibility	Each employee who is not a participant in this Plan as of June 30, 1976, shall become a participant upon completion of the following requirements: ▪ A Special Employee shall become a participant on the first day of the month within 45 days after being credited with 1,000 hours of Service within a 12 month period commencing on their hire date or any anniversary thereof. ▪ A Regular Employee shall become eligible to participate on the first of the month within 45 days after employment.
Employer contributions	Payments to be made from time to time in such amounts as required to finance the Plan on a sound actuarial basis.
Participant contributions	Participant contributions were eliminated effective January 1, 2003. Prior to January 1, 2003, participants contributed 4% of compensation in excess of the taxable wage base. As of September 30, 2003, Active Participant Contributions with interest were $7,347,039. The interest crediting rate will be 4.39% for the 2003/2004 Plan Year.
Service considered	Credited Service Elapsed time calculated from date of participation during which an Employee is an Active Participant. Vesting Service Elapsed time calculated from date of hire during which an employee is a Special or Regular Employee

Actuarial Basis

Summary of Plan Provisions *(continued)*

Compensation considered	Earnings shall mean regular base pay, but excluding shift differential, cost-of-living adjustments, other premium pay and overtime. Earnings will include amounts deferred under the Idaho National Engineering and Environmental Laboratory Employee Investment Plan and the Code Section 125 plan.
Average annual compensation	Employees hired on or after September 1, 1980 Final Three Year Average Earnings shall mean the highest average of the Participant's Earnings in any consecutive thirty-six calendar months of employment with the Company, or the average of the Participant's Earnings during all periods of employment with the Company prior to a Break in Service per Plan Section 6.4.3. Employees hired prior to September 1, 1980 Final Five Year Average Earnings shall mean the highest average of the Participant's Earnings in any consecutive sixty calendar month period in the Participant's last one hundred-twenty calendar months of employment with the Company prior to a Break in Service, or the average of his Earnings during all periods of employment with the Company prior to a Break in Service per Plan Section 6.3.3.
Normal retirement age	Age 65.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Accrued benefit	The monthly benefit payable as a life annuity commencing at the participant's normal retirement date resulting from the participant's Credited Service and Earnings to the date of determination. The accrued benefit for employees hired on or after September 1, 1980 shall be the larger of (a) or (b) below: (a) The sum of (i) plus (ii): (i) 1% of Final Three Year Average earnings up to Social Security Covered Compensation times Credited Service, plus (ii) 1.8% of Final Three Year Average Earnings in excess of the Social Security Covered Compensation times Credited Service. (b) 1.2% of Final Three Year Average Earnings times Credited Service. Employees joining the Company before September 1, 1980 shall have their accrued benefit calculated as the larger of (a) or (b) above or (c) or (d) below: (c) The sum of (i) plus (ii) below: (i) 0.7% of Final Five Year Average Earnings up to $6,600 times Credited Service, plus (ii) 1.5% of Final Five Year Average Earnings in excess of $6,600 times Credited Service. (d) The accrued benefit as of September 1, 1975, plus 1.12% of the first $6,600 of annual earnings plus 2.40% of the excess of annual earnings over $6,600, for each year of Credited Service after September 1, 1975.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Early retirement benefit

A participant is eligible for an Early Retirement Benefit after age 55. The Early Retirement Benefit payable prior to age 65 shall be the age 65 accrued benefit, reduced for early commencement as follows:

Age at Commencement of Benefits	Percentage of Benefit Payable
62-65	100%
61	97
60	94
59	91
58	88
57	85
56	82
55	79

Site firefighters who transferred from DOE-ID during 1993 are eligible for an Early Retirement Benefit at age 50. If the firefighter has 30 years of service, there shall be no reduction for early commencement. If the firefighter has less than 30 years of service, the benefit shall be reduced 3% for each year that the firefighter’s service is less than 30, or each year that the firefighter’s age is less than 62, whichever produces the smaller reduction.

Site firefighters who are or were covered under the Paper, Allied-Industrial, Chemical & Energy Workers International Union Local 08-0652 are eligible for early retirement at age 55. If the firefighter has 25 years of service or has attained age 65, there shall be no reduction for early commencement. If the firefighter has at least 5 but less than 25 years of service, the benefit shall be reduced by 3% for each year of vesting service less than 25 or for each year that the firefighter’s age is less than age 62, whichever produces the smaller reduction.

Security police officers are eligible for an unreduced retirement benefit at 25 years of service or age 62. Security police officers with fewer than 25 years of service who have attained age 55 with 5 years of service will be eligible for a reduced benefit. The early retirement reduction will be the lesser of 3% per year of age less than 62, but not before age 55; or 3% per year of service less than 25.

Security police officers who are classified as exempt employees are eligible for an unreduced retirement benefit at 25 years of service. If the security police officer has attained at least age 55 and has completed at least 5 but less than 25 years of service, benefits shall be reduced by 3% for each year of vesting service less than 25 or for each year of attained age less than 62, whichever produces the smaller reduction.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Normal or late retirement benefit	A participant is eligible for Normal Retirement Benefits after age 65. The monthly pension payable for life is an amount equal to the participant's Accrued Benefit at the Normal Retirement Date. The benefit commencing at Late Retirement is the participant's Accrued Benefit with service and earnings as of the Late Retirement Date.
Deferred vested benefit	After completion of five Years of Vesting Service, a participant is eligible to receive an Accrued Benefit payable at the Normal Retirement Date. A benefit reduced actuarially for early commencement is available prior to age 65 and after reaching age 55. Prior to completion of five Years of Vesting Service, a participant is entitled to a refund of contributions with interest.
Disability benefit	A participant is eligible for a Disability benefit if the employment is terminated due to disability and he is eligible for Long Term Disability (LTD) or would be eligible for LTD had he been covered by such program. The employee may continue to accrue credited Service until the Retirement Date, as long as the disability continues.
Qualified pre-retirement survivor annuity benefit	The surviving spouse of a participant who dies after completing five Years of Vesting Service will receive a pension with each payment equal to 50% of the pension payable to the participant had he separated from service on the date of death, survived to the earliest possible commencement date, retired with an immediate Qualified Joint and Survivor Annuity, and died the day after the early retirement date.
Qualified joint and survivor annuity benefit	Unless a married participant elects otherwise, their benefit will be reduced and paid in the form of a Qualified 50% Joint and Survivor Annuity. Under this form of payment, a reduced amount will be paid for the lifetime of the employee and 50% of such reduced amount will be paid to the surviving spouse for life upon the death of the employee.
Optional forms of retirement benefits	Participants may elect, with spousal consent if applicable, to receive benefits as a life annuity or a 100% Joint and Survivor Annuity. A participant whose vested benefit has a present value of less than $10,500 may elect a lump sum or an immediate 50% Joint & Survivor Annuity. Lump sums less than $3,500 are automatically paid out, without participant or spousal consent.
Refund of contributions	The accumulated contributions less the amount of benefits received shall be refunded on the cessation of benefits to the participant and spouse.
Suspense status	Employees who have transferred to another company, but continue to be employed by an EG&G, Westinghouse, or WinCo employer, retain credit for benefit service at INEEL. These participants receive credit under the plan for pay raises.

Actuarial Basis

Summary of Plan Provisions *(continued)*

Early retirement incentive program	An Early Retirement Incentive program was offered in 2001 for employees who would be age 55 or older as of September 30, 2002, with 5 or more years of service as of June 25, 2001. The incentive consisted of an additional 3 years of age and 3 years of service in determining the individual's retirement benefit.
Benefits not included in the valuation	To the best of our knowledge, no benefits were excluded from the valuation.
Significant Events	To the best of our knowledge, no significant events occurred during the year.
Changes in principal eligibility or benefit provisions since the last valuation	Section 5.2.5 of the plan was amended to provide early retirement subsidies, based on certain age and service requirements, to any participant who is employed on the security force and is covered under the collective bargaining agreement among Bechtel BWXT Idaho, LLC, the Security, Police and Fire Professionals of America (International Union) and the Security, Police and Fire Professionals of America (Local 3). Section 5.2.6 of the plan was added to provide early retirement subsidies, based on certain age and service requirements, to any participant who is classified as an exempt employee who is employed on the Company's security force, and is not covered under the terms of Section 5.2.5. Effective as of January 1, 2003, mandatory contributions are not permitted to be made to the Plan. Effective May 1, 2003, no charge shall be imposed with respect to Qualified Preretirement Survivor Annuity coverage.
Other Plan Provisions	The above outline of the basic benefit structure of the Plan is not intended to provide sufficient information to determine individual benefits. The outline should be used simply as an overview of benefit structure and an aid in understanding and interpreting the remaining sections of the report.

Glossary

Accumulated Plan Benefits. All benefits earned by current participants based on pay and service through the valuation date.

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the minimum required and maximum tax-deductible contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method. The goal of an asset valuation method is to produce a relatively stable asset value thereby reducing year-to-year volatility in contribution requirements. The actuarial asset value must always fall between 80% and 120% of the fair market value of assets.

Actuarial Cost Method. Sometimes called "funding method," a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or Loss. The actuarial loss is the excess of the plan's unfunded actuarial accrued liability on the valuation date over the unfunded actuarial accrued liability that would have resulted had all of the actuarial assumptions been realized. If the actuarial loss is less than zero, it is called an actuarial gain.

Actuarial Present Value. The current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The actuarial present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Additional Funding Charge. An increase in the minimum required contribution for certain plans with an actuarial asset value of less than 90% of current liability.

Amortization Charge/Credit. The annual charge or credit to the funding standard account attributable to any amortization charge or credit base. Amortization charge or credit bases are established whenever an event (such as an actuarial gain or loss, plan amendment, change in actuarial assumptions or change in actuarial cost method) causes a change in the plan's unfunded actuarial accrued liability.

Credit Balance. The excess of credits to the funding standard account over charges to the account. The credit balance is a measure of the excess actual contributions to the plan over minimum required contributions to the plan accumulated with interest. This balance can be used to reduce future minimum funding requirements.

Current Liability. The present value of accumulated plan benefits payable to employees and their beneficiaries under the plan based on employee service and compensation (if applicable) as of the valuation date, but excluding any liabilities contingent on unpredictable events and certain liabilities attributable to service before plan participation. The Internal Revenue Code specifies interest and mortality assumptions that must be used to measure current liability (see Gateway Current Liability, OBRA '87 Current Liability, and RPA '94 Current Liability, also defined in the Glossary). Current liability is used in determining minimum required and maximum deductible contributions for certain underfunded pension plans.

ERISA. The Employee Retirement Income Security Act of 1974.

Glossary *(continued)*

Full Funding Limitation. Under Sections 404, 412(c)(6) and 412(c)(7) of the Internal Revenue Code and related regulations, the maximum deductible contribution and the minimum contribution under the funding standard account cannot be greater than the amount that would fully fund the accrued liability (including normal cost and interest) at the close of the plan year. Where the plan's actuarial cost method does not directly calculate an accrued liability (e.g., the aggregate or frozen initial liability methods), the accrued liability and normal cost are calculated under the entry age actuarial cost method. The assets used are the lesser of market value or actuarial value. If the minimum contribution under the funding standard account is greater than the full funding limitation, it is adjusted to equal the full funding limitation by the application of the so-called "full funding credit." The full funding limitation may not be less than the amount required to fund 90% of the plan's current liability, nor more than the amount required to fund 170%[5] of the plan's current liability.

Funding Standard Account. An account that must be maintained by pension plan sponsors to measure compliance with the minimum funding provisions of ERISA. The account is charged annually with normal cost for the year and required amortization of the unfunded actuarial accrued liability, the additional funding requirement and any late interest on required quarterly contributions. It is credited with the sponsor's contributions, along with any full funding credit. A deficiency in the account may indicate a failure to meet the funding requirements while a credit balance indicates a funding surplus that can be used to reduce future contributions. (A zero balance indicates that the minimum requirements have been precisely met.)

Gateway Current Liability. Computed using an interest rate equal to 105% (120% for plan years beginning in 2002 and 2003) of the four-year weighted average of 30-year Treasury Bond rates and the 1983 Group Annuity Mortality table (for disabled participants, different IRS mandated tables may be used, as specified in Revenue Ruling 96-7). It is used to determine whether or not an additional contribution is required for underfunded plans.

IRC Section 404. The section of the Internal Revenue Code governing the deductibility of contributions paid to pension trusts.

IRC Section 412. The section of the Internal Revenue Code governing minimum funding standards.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use.

OBRA '87. Omnibus Budget Reconciliation Act of 1987.

OBRA '87 Current Liability. Computed using an interest rate not less than 90% nor more than 110% of the four-year weighted average of 30-year Treasury Bond rates and the same mortality table used for computing normal cost and actuarial accrued liability. It is used to compute the OBRA '87 full funding limit.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

REA. The Retirement Equity Act of 1984.

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[5] *The Economic Growth and Tax Relief Reconciliation Act of 2001 increased this rate to 170% for plan years beginning in 2003. The current liability full funding limitation is repealed for plan years beginning in 2004 and thereafter. However, the law also includes a special sunset provision that causes all of the new tax and pension provisions, including the changes noted above, to expire after 12/31/2010.*

Glossary *(continued)*

RPA. The Retirement Protection Act of 1994.

RPA '94 Current Liability. Computed using an interest rate not less than 90% nor more than 105% (120% for plan years beginning in 2002 and 2003) of the four-year weighted average of 30-year Treasury Bond rates and the 1983 Group Annuity Mortality table (for disabled participants, different IRS mandated tables may be used, as specified in Revenue Ruling 96-7). Until further IRS guidance is issued, it is recommended that the interest rate used for plan years beginning in 2002 and 2003 equal the OBRA '87 current liability interest rate if such is less than 110% of the four-year weighted average of 30-year Treasury Bond rates. It is used to determine the amount of the additional contribution for underfunded plans, the minimum floor for the full funding limit, whether or not quarterly contributions are required, and the unfunded current liability for purposes of the maximum deductible contribution.

10-Year Amortization Base. Under Section 404(a)(1)(A)(iii) of the Internal Revenue Code and related regulations, the maximum deductible contribution equals the normal cost plus amortization over 10 years of all "10-year amortization bases." Each such base represents an increment of actuarial accrued liability established when the plan was initially adopted or subsequently amended, or when actuarial assumptions were changed. The "initial" 10-year amortization base is the composite of all existing bases on the date of initial compliance with the ERISA funding standards.

Unfunded Actuarial Accrued Liability. The excess of the present value of prospective pension benefits, as of the date of a pension plan valuation, over the sum of (1) the actuarial value of the assets of the plan and (2) the present value of future normal costs determined by any of several actuarial cost methods. For plans that define an accrued liability, this amount equals the excess of the accrued liability over plan assets.

Unfunded Current Liability. The unfunded current liability is the excess (if any) of the current liability under the plan over the adjusted assets of the plan. Adjusted assets are the actuarial value of the assets less any credit balance.

Unfunded New Liability. The unfunded new liability is the unfunded current liability of the plan determined without regard to the unamortized portion of the unfunded old liability and excluding liabilities contingent on unpredictable events.

Unfunded Old Liability. The unfunded old liability means the remaining unamortized portion of the unfunded current liability of the plan as of the beginning of the first plan year following December 31, 1987, determined without regard to any plan amendments increasing liabilities which were adopted after October 16, 1987. The unfunded old liability also includes the increase in unfunded current liability attributable to change in required current liability assumptions due to RPA '94. At the option of the plan sponsor, unfunded old liability includes the plan's entire unfunded current liability as of the beginning of the 1995 plan year.

Vested Plan Benefits. All benefits to which current participants have a vested right based on pay and service through the valuation date. A participant has a vested right to a benefit if he/she would still be eligible to receive that benefit if employment terminated on the valuation date.

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